LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6356
BILL NUMBER: HB 1702

DATE PREPARED: Jan 23, 2001
BILL AMENDED:

SUBJECT: Property Tax Deductions.

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FUNDS AFFECTED:
GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that a person may claim both the property tax deduction for persons age 65 and older and the property tax deduction for persons who are blind or disabled. It allows persons to claim both deductions beginning with property taxes assessed in 2000. The bill also reconciles conflicts between statutes enacted by the 1999 General Assembly (shown in italicized type in the bill).

Effective Date: March 1, 2001 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues: The State levies a tax rate for State Fair and State Forestry. Any reduction in the assessed value (AV) base will reduce the property tax revenue for these two funds. The provisions of this bill would reduce this amount by about $4,900 annually beginning in CY 2002.

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, taxpayers who claim the property tax deduction for blind or disabled homeowners are precluded from also claiming the deduction for homeowners who are at least age 65. The blind/disabled deduction is equal to $2,000 AV and the elderly deduction is also equal to $2,000 AV.

Because of a change in the definition of assessed value that will take effect with the 2001 payable 2002 tax year, both deductions will be equal to $6,000 AV. Tax rates will be adjusted to account for this assessed value change. These scheduled changes do not affect final tax bills in any way. For clarity, references to assessed valuation will be in 2002 terms.

There are two populations with taxpayers who could potentially receive an additional property tax deduction under this proposal. First are the taxpayers who currently claim the blind/disabled deduction and second are the taxpayers who currently claim the elderly deduction.

For the 1999 Pay 2000 property tax year, the blind/disabled deduction totaled $194.4 M AV (2002 terms). At $6,000 per deduction, the estimated number of recipients is 32,400. According to the Census Bureau, approximately 24.9% of homeowners are at least 65 years old. This percentage was applied to the estimated number of homeowners who claim the blind/disabled deduction (32,400) to estimate the number of blind/disabled deduction claimants who are at least 65 years old (8,100). It was then estimated that the additional deductions allowed for taxpayers who currently claim the blind/disabled deduction would amount to $48.6 M AV.

For the 1999 Pay 2000 property tax year, the elderly deduction totaled $601.3 M AV (2002 terms). At $6,000 per deduction, the estimated number of recipients is 100,210. According to data obtained from the Census Bureau, approximately 16.4% of persons at least 65 years old have a severe disability. This percentage was applied to the estimated number of homeowners who claim the elderly deduction (100,210) to estimate the number of elderly deduction claimants who are disabled (16,400). It was then estimated that the additional deductions allowed for taxpayers who currently claim the elderly deduction would amount to $98.4 M AV.

The total additional deductions allowed under this proposal are estimated to be $147 M AV. Additional deductions reduce the assessed value tax base. This causes a shift of the property tax burden from the taxpayers receiving the deductions to all taxpayers in the form of an increased tax rate. The above reduction in assessed value would cause a $0.0025 increase in the statewide average net property tax rate in CY 2002 for an estimated net tax burden shift of $4.4 M. After CY 2002, the net rate increase is estimated at $0.0008 - $0.0025 with net tax shifts of $2.6 M - $4.5 M in CY 2003 and CY 2004.

Total local civil unit revenues, except for cumulative funds, would remain unchanged. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the deduction amount applicable to that fund.

State Agencies Affected: State Fair Board, Department of Natural Resources.

Local Agencies Affected: County Auditor Offices.

Information Sources: U.S. Department of Commerce, Bureau of the Census; Local Government Database.